

GENERAL ANILINE & FILM CORPORATION

NEW YORK

TWELFTH ANNUAL REPORT
1940

G291218

G-I_EPA0018688

General Aniline & Film Corporation

230 PARK AVENUE

NEW YORK

Operating Divisions:

GENERAL ANILINE WORKS

435 Hudson Street, New York

Plants:

Grasselli, N. J.

Albany, N. Y.

AGFA ANSCO

Binghamton, N. Y.

Plants:

Binghamton, N. Y.

Johnson City, N. Y.

OZALID PRODUCTS

Johnson City, N. Y.

Plants:

Johnson City, N. Y.

Detroit, Michigan

GENERAL ANILINE & FILM CORPORATION

BOARD OF DIRECTORS

H. AICKELIN	FELIX ISELIN
WALTER H. BENNETT	D. A. SCHMITZ
WILLIAM C. BREED	E. SCHWARZ
EDSEL B. FORD	W. H. VOM RATH
R. HUTZ	WILLIAM E. WEISS
	H. S. WILLIAMSON

OFFICERS

D. A. SCHMITZ, *President*

Vice-Presidents

H. AICKELIN, <i>Production Manager,</i> General Aniline Works Division	E. SCHWARZ, <i>General Manager,</i> Agfa Ansco Division
R. HUTZ, <i>General Manager,</i> General Aniline Works Division	W. H. VOM RATH, <i>Secretary</i>
	H. S. WILLIAMSON, <i>Treasurer</i>

Assistant Vice-Presidents

L. ECKLER, <i>Production Manager,</i> Agfa Ansco Division	H. W. GRIMMEL, <i>Plant Manager,</i> Albany, N. Y.
J. FORRESTAL, <i>General Sales Manager,</i> Agfa Ansco Division	F. MAX, <i>Plant Manager,</i> Grasselli, N. J.
	J. R. WORCH

GENERAL OFFICES

230 Park Avenue, New York

Transfer Agent

CITY BANK FARMERS TRUST COMPANY
22 William Street, New York

Registrar

BANK OF THE MANHATTAN COMPANY
40 Wall Street, New York

GENERAL ANILINE & FILM CORPORATION

TO THE STOCKHOLDERS:

The annual report of your corporation, which is presented herewith, includes audited financial statements presenting the consolidated position of your corporation and subsidiaries as of December 31, 1940, and the consolidated results of operations for the year ended that date. Also included is the list of securities owned by your corporation.

The volume of business for 1940 represents a substantial increase over 1939. Net income amounted to \$4,106,057.07. Dividends paid were \$2.75 per Common A share and \$0.275 per Common B share. The comparative figures for 1939 were: net income, \$4,463,601.60 including a \$1,177,813.34 profit on securities sold; dividends paid, \$3.50 per Common A share and \$0.35 per Common B share.

During the year under review, no securities were sold. All securities owned by the corporation are held in New York.

The corporation acquired 950,000 shares of its Common B stock at \$2.00 per share. This stock is now held in the corporation's treasury. The difference between the purchase price of \$2.00 per share and the par value of the Common B stock, i.e. \$950,000.00, was charged to capital surplus.

During the year, several hundred American patents and patent applications were acquired covering a wide field of chemical inventions outside the corporation's present lines of production. In keeping with the corporation's policy to carry patents, trade-marks and formulae at a nominal figure, the purchase price of the above mentioned patents was charged to earned surplus.

The corporation has completed the installation of equipment for the manufacture of certain new products covered by the above patents and expects to go into production of others as rapidly as they can be developed. Increased production demands and the manufacture of materials formerly purchased required further expansion of plant facilities. In connection therewith research facilities were also substantially enlarged. Net additions to fixed assets during the year under review amounted to \$3,196,582.44. Total depreciation charges for the year were \$1,648,854.11.

Ozalid Corporation became a wholly owned subsidiary and was merged into your corporation during the year. It continues under the same management as a division of your corporation. Ozalid has been a pioneer in the field of dry developing reproduction paper and processing equipment.

The item of \$337,834.20 appearing under "Other Deductions" on the Profit & Loss Statement, represents additional compensation paid to 4,714 of the company's 5,294 employees. The directors of the company did not participate.

Since the close of the fiscal year your corporation called for redemption on May 1, 1941, \$4,408,000.00 of the outstanding debentures, thereby reducing bonded indebtedness to \$18,000,000.00.

Respectfully submitted,

D. A. SCHMITZ,
President.

New York, March 28, 1941.

GENERAL ANILINE & FILM CORPORATION

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand and demand deposits		\$ 2,625,126.47
Marketable securities, at cost or market, whichever lower (aggregate quoted market value \$10,880,860.64, Note 2)		9,383,848.21
Notes and accounts receivable:		
Customers, less reserve of \$116,740.42	\$ 3,172,077.46	
Other, less reserve of \$16,000.00	583,052.56	
Due from subsidiary company, not consolidated	25,518.00	3,780,648.02
Inventories (Note 3):		
Finished goods	\$ 7,188,587.40	
Goods in process	3,518,549.18	
Raw materials	3,937,663.65	
Supplies, containers and goods in transit	524,436.82	15,169,237.05
Total current assets		\$30,958,859.75

INVESTMENTS:

Sundry investments, at cost or lower, less reserve of \$29,733.00....	\$ 2,355,520.85	
Securities deposited with State of New York under Workmen's Compensation Act, (aggregate quoted market value \$101,270.00)	94,630.74	
Investment in common stock of parent company, Internationale Gesellschaft fuer Chemische Unternehmungen A. G. Basle, Switzerland, at cost or market, whichever lower (aggregate quoted market value \$9,255,530.00)	9,255,530.00	
Investment in Canadian subsidiary, not consolidated	67,000.00	11,772,681.59

FIXED ASSETS:

Land	\$ 685,993.26	
Property, plant and equipment	30,304,114.44	
Total (Note 4)	\$30,990,107.70	
Less reserves for depreciation and obsolescence	14,252,180.87	16,737,926.83

PATENTS, TRADEMARKS AND FORMULAE 1.00

DEFERRED CHARGES:

Unamortized insurance premiums and taxes	\$ 277,738.71	
Other deferred charges and prepaid expenses	237,055.46	514,794.17

OTHER ASSETS:

Debenture retirement fund, cash in bank (Note 5)		2,000,000.00
TOTAL		\$61,984,263.34

See explanatory notes which are a part of this financial statement.

G291222

G-I_EPA0018692

(DELAWARE) AND SUBSIDIARY COMPANIES

HEET, DECEMBER 31, 1940

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, trade	\$ 1,157,215.47
Accounts payable, other	143,851.68
Taxes withheld at source	433,915.86
Dividends payable	207,976.30
Deferred uncalled for balance on stock of parent company	1,660,230.00

\$3,603,189.31

Accrued liabilities:

Provision for federal taxes on income	\$ 1,159,215.41
Provision for other taxes	316,803.67
Accrued interest on debentures	205,406.67
Other, including salaries, wages and commissions	211,882.72

1,893,308.47

Total current liabilities (Note 5) \$ 5,496,497.78

GUARANTEED 5½% CONVERTIBLE DEBENTURES, DUE MAY 1, 1949 (Note 5):
(Conversion privilege expired December 31, 1938)

Original issue	\$30,000,000.00
Converted into Common A shares	\$1,364,000.00
Retired	6,228,000.00

7,592,000.00 22,408,000.00

RESERVES:

Workmen's compensation self insurance	\$ 197,677.49
Welfare expense	350,000.00
Other	5,338.87

553,016.36

CAPITAL AND SURPLUS:

Common A stock of no par value (stated at \$25.00 per share and entitled in the event of liquidation or dissolution, first to \$75.00 per share, and thereafter to participate share for share with Common B stock) authorized 3,000,000 shares, issued 529,701 shares	\$13,242,525.00
--	-----------------

Common B stock of \$1.00 par value, authorized and issued 3,000,000 shares	3,000,000.00
--	--------------

Capital surplus, per accompanying statement	12,902,432.08
---	---------------

Earned surplus, per accompanying statement	\$3,370,404.00
--	----------------

Appropriated earned surplus for debenture retirement, per accompanying statement	2,000,000.00
--	--------------

5,370,404.00

Total \$34,515,361.08

Less stock in treasury:

429.93 Common A shares at cost	\$ 38,611.88
--------------------------------------	--------------

950,000 Common B shares at par value of \$1.00	950,000.00
--	------------

988,611.88

33,526,749.20

TOTAL \$61,984,263.34

an integral part of this statement.

G291223

G-I_EPA0018693

GENERAL ANILINE & FILM CORPORATION (DELAWARE)
AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS
For the Year Ended December 31, 1940

Gross sales, less returns, allowances and other sales deductions		\$28,211,498.79
Cost of sales		18,748,959.92
Gross profit on sales		<u>\$ 9,462,538.87</u>
Selling, general and administrative expenses		4,232,484.98
Profit from operations		<u>\$ 5,230,053.89</u>
OTHER INCOME:		
Dividends and interest on domestic securities, notes, etc.	\$ 1,394,955.62	
Dividends on stock of parent company, less \$41,267.32 tax with- held at source	646,521.38	
Royalties	158,711.00	
Discount on purchases	103,522.28	
Other	81,766.15	2,385,476.43
Total		<u>\$ 7,615,530.32</u>
OTHER DEDUCTIONS:		
Interest on debentures	\$ 1,232,440.00	
Discount on sales	189,975.72	
Additional compensation	337,834.20	
Provision for welfare expense	350,000.00	
Other	239,229.72	2,349,479.64
Net income, before provision for federal taxes on income		<u>\$ 5,266,050.68</u>
Provision for federal taxes on income, estimated:		
Income and defense taxes	\$ 1,044,993.61	
Excess profits tax	115,000.00	1,159,993.61
Net income, including equity in net income of \$12,677.32 applicable to period prior to date of acquisition of shares of Ozalid Corporation acquired during the year		<u>\$ 4,106,057.07</u>
Transferred to appropriated earned surplus for debenture retirement	\$ 1,000,000.00	
Transferred to earned surplus	3,106,057.07	<u>\$ 4,106,057.07</u>

See explanatory notes which are an integral part of this statement.

GENERAL ANILINE & FILM CORPORATION (DELAWARE)
AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS
For the Year Ended December 31, 1940

Balance of capital surplus, January 1, 1940		\$13,859,366.71
Deductions:		
Adjustment of difference between cost of 950,000 shares of Common B stock held in Treasury and the par value thereof	\$ 950,000.00	
Elimination of capital surplus applicable to minority interest in capital stock of Ozalid Corporation acquired during the year	6,469.68	
Other	464.95	956,934.63
Balance of capital surplus, December 31, 1940		<u>\$12,902,432.08</u>

STATEMENT OF CONSOLIDATED EARNED SURPLUS
For the Year Ended December 31, 1940

Balance of earned surplus, January 1, 1940		\$ 3,348,942.16
Additions:		
Transferred from profit and loss		3,106,057.07
Total		<u>\$ 6,454,999.23</u>
Deductions other than dividends:		
Write-down of patents acquired during the year 1940 to nominal amount	\$ 925,000.00	
Write-down of certain marketable securities to quoted market value	64,490.62	
Write-down of investment in common stock of parent company to quoted market value	38,227.00	
Write-down, representing the difference between the investment in the capital stock of Ozalid Corporation and the net worth of such subsidiary as shown by its books at dates of acquisition	24,188.90	
Elimination of earned surplus applicable to minority interest in capital stock of Ozalid Corporation acquired during the year	12,699.80	
Other	737.66	1,065,343.98
		<u>\$5,389,655.25</u>
Dividends paid:		
\$2.75 per Common A share	\$ 1,455,501.25	
.275 per Common B share	563,750.00	2,019,251.25
Balance of earned surplus, December 31, 1940		<u>\$ 3,370,404.00</u>

STATEMENT OF APPROPRIATED EARNED SURPLUS
For the Year Ended December 31, 1940

Balance of appropriated earned surplus January 1, 1940	\$ 1,000,000.00	
Transferred from profit and loss for debenture retirement	1,000,000.00	\$ 2,000,000.00
Total earned and appropriated earned surplus, December 31, 1940		<u>\$ 5,370,404.00</u>

C

GENERAL ANILINE & FILM CORPORATION (DELAWARE)
AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

1. The accompanying consolidated financial statements include the accounts of three wholly owned subsidiaries, but exclude the accounts of a wholly owned Canadian subsidiary, the net assets of which amount to approximately one-half of one per cent of the consolidated net assets.
 2. The aggregate quoted market value does not include securities which were written off in prior years; such securities had a quoted market value of \$37,637.50 at December 31, 1940.
 3. Inventories aggregating \$10,690,515.88 are stated at cost or market, whichever lower. The balance of the inventories, amounting to \$4,478,721.17, are stated at cost.
 4. Land and property, plant and equipment, amounting to \$7,981,711.49, is stated at less than cost, as appraised by the company's engineers as of January 1, 1932, with subsequent additions at cost. The balance of the land and property, plant and equipment, amounting to \$23,008,396.21, is stated at cost. The property, plant and equipment includes unfinished construction in progress of \$1,363,089.59 and property not used in operations of \$270,982.76.
 5. The corporation has called for redemption on May 1, 1941, debentures of the aggregate principal amount of \$4,408,000.00. There is available for this purpose a debenture retirement fund of \$2,000,000.00.
 6. Unamortized debenture discount and expense was charged to surplus in a prior year. Had these items been amortized over the remaining life of the debentures, the net income for the year 1940 would have been reduced in the amount of \$103,970.17. Patents, trademarks, and formulae were written down to a nominal amount of \$1.00 by a charge to earned surplus in a prior year of \$363,749.79, and of \$925,000.00 as of December 31, 1940. Had these items been amortized over their remaining life, the net income for the year 1940 would have been reduced in the amount of \$94,121.20.
 7. In determining net income, there has been deducted total depreciation of \$1,648,854.11.
 8. Income in foreign currencies was converted into United States dollars at prevailing rates of exchange on dates of conversion. Liabilities payable in foreign currencies were translated at current rates of exchange as of December 31, 1940.
 9. Commitments on unfinished construction amount to approximately \$627,000.00. The corporation is contingently liable as guarantor on a loan in the amount of \$150,000.00.
- C

GENERAL ANILINE & FILM CORPORATION (DELAWARE)
AND SUBSIDIARY COMPANIES

INVESTMENTS IN SECURITIES, DECEMBER 31, 1940

	Shares or Units	Amount
<i>Marketable securities at cost or market, whichever lower (Note 1):</i>		
Standard Oil Co. (N. J.) common stock	203,053	\$5,642,550.33
Sterling Products, Inc. common stock	37,880	2,350,626.75
E. I. du Pont de Nemours & Co. common stock	5,500	838,412.50
Standard Oil Co. of California common stock	10,000	185,000.00
Mission Corporation common stock	22,299	211,841.75
Standard Oil Co. (Indiana) common stock	5,900	154,875.00
U. S. of America Treasury Bonds 2½%, due December 15, 1949/53	\$ 500.00	541.88
TOTAL		\$9,383,848.21
<i>Sundry investments, at cost or lower (no quoted market value):</i>		
American Magnesium Corporation common stock (Note 2)	43,750	\$ 972,011.47
Winthrop Chemical Company common B stock	6,150	650,000.00
Alba Pharmaceutical Company, Inc. common B stock	1,600	294,009.38
Plaskon Co., Incorporated 4% cum. preferred stock	1,230	112,500.00
Plaskon Co., Incorporated \$6.00 cum. preferred stock	4,000	312,500.00
Plaskon Co., Incorporated common stock	6,500	6,500.00
Miscellaneous		8,000.00
TOTAL		\$2,355,520.85
<i>Securities deposited with the State of New York under Workmen's Compensation Act, at cost (Note 3):</i>		
U. S. of America Treasury Bonds, 2%, due Dec. 15, 1947	\$10,000.00	\$ 10,315.63
New York City Bonds, 4%, due May 1, 1959	15,000.00	15,685.67
New York City Bonds, 4¼%, due Jan. 1, 1977	15,000.00	15,900.00
New York City Bonds, 4¼%, due Nov. 15, 1978	10,000.00	10,900.00
New York State Bonds, 1¾%, due April 19, 1944	40,000.00	41,829.44
TOTAL		\$ 94,630.74
<i>Investment in common stock of parent company, at cost or market, whichever lower (Note 4):</i>		
Internationale Gesellschaft fuer Chemische Unternehmungen A. G. (Switzerland) common stock, fully paid	56,300	\$6,136,700.00
Internationale Gesellschaft fuer Chemische Unternehmungen A. G. (Switzerland) common stock 50% paid	28,600	3,118,830.00
TOTAL		\$9,255,530.00

NOTE 1: Aggregate quoted market value \$10,880,860.04.

2: Sold subsequent to December 31, 1940.

3: Aggregate quoted market value \$101,270.00.

4: Aggregate quoted market value at December 31, 1940 \$9,255,530.00. At March 24, 1941, the aggregate quoted market value was \$7,418,130.00. Market values are stated on the basis of New York quotations in terms of U. S. dollars.

CABLE: AMDIT, NEW YORK

F. W. LAFRENTZ, C. P. A.
A. F. LAFRENTZ, C. P. A.
HARRY M. RICE, C. P. A.
J. ARTHUR MARVIN, C. P. A.
P. C. WIEGAND, C. P. A.

WILLIAM ZANKER
E. P. BERGERON, C. P. A.
GEO. W. BREDEMAYER, C. P. A.
M. D. MOERSH, C. P. A.
F. J. SERBEK, C. P. A.

F. W. LAFRENTZ & Co.

CERTIFIED PUBLIC ACCOUNTANTS

EXECUTIVE OFFICES NEW YORK CITY

100 BROADWAY - NEW YORK

CHICAGO	NEW YORK	WASHINGTON
BOSTON		NEW ORLEANS
ATLANTA		SAN FRANCISCO
RICHMOND		LOS ANGELES
BALTIMORE		OAKLAND
CLEVELAND		SEATTLE

LONDON, ENG.
MELBOURNE, AUSTRALIA

TO THE BOARD OF DIRECTORS

GENERAL ANILINE & FILM CORPORATION:

We have examined the consolidated balance sheet of General Aniline & Film Corporation as of December 31, 1940, and the related statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

The securities owned by the company are held in New York and were confirmed either by inspection or by certificates obtained from custodians.

On September 30, 1940, General Aniline & Film Corporation merged into itself its wholly owned subsidiary, Ozalid Corporation. In order to reflect the continuity of operations for the year ended December 31, 1940, the accompanying statements of consolidated profit and loss and surplus include the operations of Ozalid Corporation from January 1, 1940 to September 30, 1940.

In our opinion, the accompanying statements, together with explanatory notes thereto, present fairly the consolidated position of General Aniline & Film Corporation and subsidiary companies at December 31, 1940, and the consolidated results of operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after effecting the merger referred to above.

F. W. LAFRENTZ & Co.
Certified Public Accountants

New York, March 25, 1941.

G291228

G-I_EPA0018698